## TEACHERS' RETIREMENT BOARD

## REGULAR MEETING

SUBJECT: Update on State Legislation	ITEM NUMBER: 6a
	ATTACHMENT(S): 1
ACTION: X	MEETING DATE: June 7, 2001
INFORMATION:	PRESENTER: Ed Derman

## SUMMARY OF STATE LEGISLATION

Attached is a summary of related legislation. Mr. Derman will provide a verbal update at the meeting.

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<<

AB 135 AUTHOR: Assembly Member Havice

TITLE: Final compensation and purchasing power

AMENDED: 3/22/01

LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended\*

SUMMARY: Bases final compensation on the highest annual compensation earnable by a member for 12 consecutive months for all California State Teachers' Retirement System (CalSTRS) members. This bill also increases the supplemental payments made from the Supplemental Benefit Maintenance Account to restore purchasing power of initial allowances to 80 percent of the member's initial monthly allowance, rather than the current 75 percent.

COSTS: Benefit program – Amortized cost of \$2,078 million over 30 years

Administrative - Minor and absorbable

P – ACSA, ART, CFT, CRTA, CTA, FACCC, LA Community College Faculty Guild, UTLA

O – None known

AB 607 AUTHOR: Assembly Member Negrete McLeod

TITLE: Career factor

LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended\*

SUMMARY: Eliminates current 2.4 percent limit on combined age factor and career factor for members who retire on or after January 1, 2002.

COSTS: Benefit program – Amortized cost of \$2,180 million over 30 years

Administrative – Minor and absorbable

P-FACCC

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

AB 649 AUTHOR: Assembly Member Negrete McLeod

TITLE: Cash Balance Benefit Program

**AMENDED: 5/2/01** 

LOCATION: Not yet assigned in Senate

**BOARD POSITION: Support \*** 

SUMMARY: Requires community college districts to offer the CalSTRS Cash Balance (CB) Benefit Program to eligible part-time employees by July 1, 2003, and allow those employees to elect coverage under the CB Benefit Program, Social Security or another retirement plan.

COSTS: Benefit program - Increase in CB Benefit Program liabilities,

offset by increased contributions. Decrease in Defined Benefit (DB) Program liabilities, offset by reduction in contributions from

members, employers and General Fund.

Administrative - Potential increase in CB Benefit Program

workload from additional employers.

P – FACCC

O – ACCCA, PARS, Mendocino College, Long Beach CCD, North Orange County CCD, Hartnell CCD, Lake Tahoe CCD, Santa Clarita CCD

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<<

AB 1683 AUTHOR: Assembly PER&SS Committee

TITLE: CalPERS Omnibus Technical Bill

AMENDED: 5/14/01

LOCATION: Not yet assigned in Senate

**BOARD POSITION: Pending** 

SUMMARY: Allows a member to purchase, as permissive service, the service performed from his or her date of hire in a CalPERS-covered position to the date he or she formally elects to remain in the DB Program, and vice versa. The amount required to purchase the additional service credit would be offset by an amount transferred between CalPERS and CalSTRS, equal to the actuarial value of the accrued benefit.

COSTS: Benefit program – Pending

Administrative –Pending

P - CalPERS

O - None known

AJR 3 AUTHOR: Assembly Member Leonard

TITLE: Repeal reduction in Social Security benefits

AMENDED: 5/10/01

LOCATION: Senate PE&R

**BOARD POSITION:** No position\*

SUMMARY: Requests that Congress repeal the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits.

COSTS: Benefit program – None

Administrative - None

P - CRTA

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

AJR 6 AUTHOR: Assembly Member Canciamilla

TITLE: Federal retirement security and savings programs

LOCATION: Senate PE&R BOARD POSITION: Support\*

SUMMARY: Requests that Congress enact new legislation that would embody provisions of the Retirement Security and Savings Act of 2000, which was considered by Congress in 2000.

COSTS: Benefit program – None

Administrative - None

P - SACRS

O – None known

SB 165 AUTHOR: Senator O'Connell

TITLE: CalPERS membership election

AMENDED: 4/25/01

LOCATION: Assembly PER&SS BOARD POSITION: Support\*

SUMMARY: Permits a vested member of CalPERS not employed in an education-related position who accepts employment to perform creditable service covered by the DB Program, to elect to be excluded from CalSTRS and retain membership in CalPERS.

COSTS: Benefit program – None

Administrative - Minor and absorbable

P – ACSA, CTA, SSDA

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

SB 191 AUTHOR: Senator Karnette

TITLE: Defined Benefit Supplement (DBS) enhancement and health

benefit account

AMENDED: 3/13/01

**LOCATION:** Senate Appropriations

BOARD POSITION: Support, if amended\*

SUMMARY: Requires CalSTRS to make annual contributions to members' DBS accounts until 7/1/11 based on their years of credited service. Requires CalSTRS to pay the Medicare Part B premiums of active and retired DB members who are at least 55 years of age on 1/1/02. Requires CalSTRS to establish nominal accounts and credit each with \$600 per year to pay healthcare insurance premiums for DB members who retired before 1/1/01.

COSTS: Benefit program – Total amortized cost of \$6,556 million over 30

years

Administrative – Implementation costs likely to exceed \$1 million

P – SSDA, UTLA

O – None known

SB 334 AUTHOR: Senator Ortiz

TITLE: Retirement following reinstatement

AMENDED: 3/28/01

LOCATION: Senate Appropriations BOARD POSITION: Support\*

SUMMARY: Increases benefits for members who retired for service, reinstate and perform creditable service for two years following reinstatement from a prior retirement.

COSTS: Benefit program – Amortized cost of \$45 million over 15 years

Administrative – Minor and absorbable

P – ACSA, CFT, CRTA, CTA, F.A.I.R.

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

SB 461 AUTHOR: Senator Torlakson

TITLE: Catastrophic Prescription Drug Insurance Program

**LOCATION:** Senate Appropriations

BOARD POSITION: Support, if amended\*

SUMMARY: Creates a Catastrophic Prescription Drug Insurance Program to provide high deductible coverage for prescription drugs to retired members of the DB Program with unspecified minimum levels of credited service.

COSTS: Benefit program - Present value cost of \$425 million to \$650

million over 10 years, depending on plan features

Administrative – At least \$1 million in implementation costs

P – ACSA, CFT, CTA

O - None known

SB 499 AUTHOR: Senator Soto

TITLE: CalSTRS Program Adjustments

**AMENDED: 4/5/01** 

LOCATION: Senate Appropriations BOARD POSITION: Sponsor\*

SUMMARY: Makes changes to the Home Loan Program, eliminates the 1/1/02 sunset for eligibility of dependent children for family allowance under Coverage A and authorizes purchase of CB Program participation as DB Program service credit.

COSTS: Benefit program – Annual net increase for continuing Coverage A

eligibility is \$464,000 in first year and \$531,000 per year thereafter

Administrative – Minor and absorbable costs to increase Home Loan Program loan limit and to authorize conversion of CB

Program participation to DB Program service credit.

P - CalSTRS

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

SB 501 AUTHOR: Senate PE&R Committee

TITLE: CalSTRS Housekeeping bill

AMENDED: 5/16/01 LOCATION: Senate Floor BOARD POSITION: Sponsor\*

SUMMARY: Makes a variety of technical and conforming changes to the

Teachers' Retirement Law to improve system administration.

COSTS: Benefit program – None

Administrative - None

P - CalSTRS

O – None known

SB 1020 AUTHOR: Senator Escutia

TITLE: Middle School extended year

**AMENDED: 5/7/01** 

LOCATION: Senate Education BOARD POSITION: Pending

SUMMARY: Offers state fiscal incentives to school districts with schools that increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year round schools.

COSTS: Benefit program – Pending

Administrative - Minor and absorbable

P – California League of Middle Schools, California Manufacturers and Technology Association, Long Beach Unified School District

O – CTA, UTLA

## LEGISLATIVE SUMMARY – REGULAR BOARD

## **2001-2002 Regular Session – May 21, 2001**

#### BILL NO. >>> STATUS <<<<<<<<<<<<<

SCA 2 AUTHOR: Senator Burton

TITLE: Legislative oversight over public pension support budgets

LOCATION: Senate PE&R BOARD POSITION: Pending

SUMMARY: Requires that expenditures for personnel, operating expenses and equipment for CalSTRS and CalPERS be approved in the annual Budget Act beginning in 2003-04 and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.

COSTS: Benefit program – None

Administrative - Minor absorbable cost

P – None known

O – None known

SJR 4 AUTHOR: Senator Soto

TITLE: Limit reduction in Social Security benefits

LOCATION: Assembly PER&SS BOARD POSITION: Support\*

SUMMARY: Requests that Congress limit the application of the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits.

COSTS: Benefit program – None

Administrative - None

P-SACRS

## LEGISLATIVE SUMMARY – REGULAR BOARD

## 2001-2002 Regular Session – May 21, 2001

#### BILL NO. >>> STATUS <<<<<<<<<<<<

SJR 9 AUTHOR: Senator Costa

TITLE: Foreign investments LOCATION: Senate B, C & IT

BOARD POSITION: Support, if amended\*

SUMMARY: Requests that the President and Congress identify and place on a federal list, investments in foreign countries and businesses that pose a threat to the national security interests of the U.S. and to encourage appropriate federal measures to deny these entities access to capital from the U.S.

COSTS: Benefit program – None

Administrative – No direct fiscal impact

P - CalPERS

## LEGEND OF ABBREVIATIONS

#### P = PROPONENTS O = OPPONENTS

#### **ABBREVIATION ORGANIZATION**

AARP American Association of Retired Persons, State Legislative Committee

AALA Associated Administrators of Los Angeles

ACCCA Association of California Community College Administrators

ACSA Association of California School Administrators

AFSCME American Association of State, County and Municipal Employees

AFT American Federation of Teachers
AGENCY State and Consumer Services Agency
A.R.E. Association of Retirees for Equity
ART Association of Retired Teachers

BOE Board of Equalization

BOG Board of Governors, California Community Colleges

Cal-Tax California Taxpayers Association

CalPERS California Public Employees' Retirement System
CalPIRG California Public Interest Research Group
CalSTRS California State Teachers' Retirement System
CASBO California Association of School Business Officials

CCA Community College Association

CCAE California Council for Adult Education

CCC California Community Colleges
CCD Community College District

CCPOA California Correctional Peace Officers Association

CFA California Faculty Association
CFT California Federation of Teachers

CNEC California Network of Educational Charters

CPCA California Police Chiefs' Association

CPFFA California Professional Firefighters Association

CRTA California Retired Teachers Association
CSAC California State Association of Counties
CSBA California School Boards Association
CSEA California School Employees Association

CSL California Senior Legislature
CSU California State University
CTA California Teachers Association

DOE Department of Education
DOF Department of Finance

DGS Department of General Services

DPA Department of Personnel Administration

FACCC Faculty Association of California Community Colleges

F.A.I.R. Faculty Attempting to Improve Retirement FCPHE Faculty Coalition for Public Higher Education

FTB Franchise Tax Board

# LEGEND OF ABBREVIATIONS P = PROPONENTS O = OPPONENTS

## **ABBREVIATION ORGANIZATION**

LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SCSA	State and Consumer Services Agency
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

## STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS Assembly Public Employees, Retirement and Social Security Committee Senate PE&R Senate Public Employment and Retirement Committee